

Message Text

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FM AMEMBASSY ADDIS ABABA

TO SECSTATE WASHDC 4561

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E.O. 11652: N/A

TAGS: ECON EINV ET

SUBJECT: COMMUNICATION FROM AMERICAN LIFE INSURANCE COMPANY

REF: A) ADDIS 5895; B) STATE 114721

1. PER PARA 4 REF B, WE BELIEVE THAT THE EMBASSY'S NOTE OF FEB 20, 1975 (CF ADDIS A-43 OF MAR 5, 1975) HAS MET AMERICAN LIFE'S CONCERN THAT THE USG INFORM THE EPMG OF THE US POSITION ON THE PAYMENT OF PROMPT, FAIR, AND ADEQUATE COMPENSATION TO THE US OWNERS OF NATIONALIZED ASSETS. THE AMBASSADOR HAS ON SEVERAL OCCASIONS FULLY EXPLAINED USG VIEWS ON NATIONALIZATION TO HIGH-LEVEL EPMG OFFICIALS WHO WILL PLAY IMPORTANT ROLES IN FORMULATING THE EPMG COMPENSATION POSITION. AS WE NOTED IN REF A, EMBOFF CONVERSATIONS WITH SENIOR REPRESENTATIVES OF THE NATIONALIZED AMERICAN FIRMS (EXCEPT ETHIOPIAN SPICE EXTRACTION COMPANY) REVEAL AN EXPLICIT PREFERENCE TO AWAIT CLARIFICATION OF THE EPMG'S INTENTIONS REGARDING COMPENSATION AND NO DESIRE FOR US TO MAKE REPRESENTATIONS ON THEIR BEHALF AT THIS TIME.

2. DURING A MAY 14 MEETING WITH EMBOFFS, DON DAVIS, PRESIDENT OF AMERICAN LIFE INSURANCE COMPANY AND BENDT THEMSTRUP, NAIROBI-BASED RESIDENT VICE PRESIDENT FOR EAST AFRICA DID NOT INDICATE ANY OF THE CONCERNS ABOUT ASSET VALUATION NOTED IN REF B. FOLLOWING CONVERSATIONS WITH SEVERAL KEY EPMG OFFICIALS INCLUDING THE HEAD OF THE EPMG COMPENSATION COMMITTEE, DAVIS AND THEMSTRUP EXPRESSED UNDERSTANDING OF THE EPMG

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DIFFICULTIES STEMMING FROM THE NATIONALIZATIONS AND APPRECIATION OF EPMG GOOD FAITH IN PAYING COMPENSATION. THEY SAID THAT

AMEICAN LIFE WANTED TO OBTAIN FULLEST POSSIBLE COMPENSATION AND THAT BASED ON CORPORATE EXPERIENCE, PARTICULARLY IN PAKISTAN, THIS COULD REQUIRE AS LONG AS TWO YEARS. NEVERTHELESS, THE COMPANY WAS PREPARED TO WAIT. SINCE AMERICAN LIFE HAS ALREADY EXPRESSED AN INTEREST TO THE EPMG REGARDING SOME SORT OF MANAGEMENT CONTRACT RELATIONSHIP WITH THE NATIONALIZED INSURANCE INDUSTRY, DAVIS APPEARED RELUCTANT TO PRESS THE EPMG ON DETAILS RE THE COMPENSATION ISSUE.

3. FOR DEPT ONLY: THE EMBASSY POSITION ON THE COMPENSATION QUESTION REMAINS AS OUTLINED IN PARA 5 REF A. UNLESS THE EPMG EXHIBITS CLEAR SIGNS OF BAD FAITH WE PREFER TO WAIT FOR THE EPMG TO MAKE THE FIRST MOVE ON COMPENSATION. ONE OF THE DIFFICULTIES IS THAT THE EPMG HAS NOT YET ESTABLISHED CRITERIA FOR VALUING NATIONALIZED ASSETS ALTHOUGH WE UNDERSTAND THAT THEY ARE WORKING ON THIS. UNTIL THE EPMG HAS ACTUALLY BEGUN TO VALUE THESE ASSETS, WE DO NOT BELIEVE IT WOULD BE SUEFUL TO APPROACH THE EPMG ON THE DETAILS OF ASSET VALUATION. IF, HOWEVER, THE DEPT WISHES THE EMBASSY TO MAKE SUCH AN APPROACH, WE WOULD PREFER TO DO SO ON BEHALF OF ALL AFFECTED US INTERESTS AND NOT JUST AMERICAN LIFE. IN THIS CONNECTION, WE WOULD APPRECIATE GUIDANCE ON THE USG POSITION ON ASSET VALUATION, ESPECIALLY THOSE SENSITIVE COMPENSATION ISSUES OF LOSS OF GOODWILL AND FUTURE PROFITS.
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